

Message Text

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ACTION EA-09

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EO 11652: NA

TAGS: EINV, EMIN, ENRG, AS

SUBJ: FRASER GOVERNMENT TO SELL OFF MINING INTERESTS

1. SUMMARY: POSSIBLY FORESHADOWING OTHER MOVES TO REVERSE
FORMER LABOR GOVERNMENT INITIATIVES IN MINERALS AND ENERGY
FIELD, PRESS OF JANUARY 8 REPORTS FRASER GOVERNMENT PLAN TO
DIVEST ITSELF OF INVESTMENTS ACQUIRED BY NOW-DEFUNCT PET-
ROLEUM AND MINERALS AUTHORITY IN SEVERAL MINING PROJECTS.
CITING GOVERNMENT SOURCES, REPORTS STATE COMMONWEALTH
WILL WORK ITSELF OUT OF ITS INTERESTS IN WAMBO (COAL),
MAREEBA (COPPER), AND COOPER BASIN (NATURAL GAS) PROJECTS
"PROMPTLY" BUT THAT COMPLETE DISINVESTMENT COULD TAKE YEARS.
END SUMMARY.

2. ACQUISITION OF GOA INTEREST IN THESE PROJECTS WAS AMONG
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THE HIGHLIGHTS OF THE CONNOR EAR IN MINERALS AND ENERGY

POLICY DURING LABOR MINISTRY. GOA INVOLVEMENT WAS ORIGINALLY THROUGH PETROLEUM AND MINERALS AUTHORITY (PMAL, LEGISLATION FOR WHICH WAS ULTIMATELY DECLARED INVALID BY HIGH COURT. GOA INTERESTS IN PROJECTS THEN TAKEN OVER BY WHAT WAS DEPARTMENT OF MINERALS AND ENERGY (NOW DEPARTMENT OF NATIONAL RESOURCES). LARGEST OF THE THREE PROJECTS INVOLVED IS COOPER BASIN IN WHICH PMA ACQUIRED 50 PERCENT OF INTEREST HELD BY U.S.-OWNED DELHI INTERNATIONAL AT PRICE OF (US 17 MILLION, (US 4.5 MILLION OF WHICH HAS BEEN PAID.

3. NEW GOVERNMENT REPORTEDLY IS TAKING PAINS TO ASSURE COMPANIES THAT IT WILL HONOR ALL OBLIGATIONS ARISING FROM EXISTING COMMITMENTS. IT WILL APPLY FOUR CRITERIA IN TAKING ACTION: PROMPT ACTION; CONSISTENCY WITH COALITION'S INVESTMENT GUIDELINES (YET TO BE SPELLED OUT AS GOVERNMENT POLICY); "OPTIMUM" ASSET REALIZATION; FULL CONSIDERATION OF PARTNERS' INTERESTS.

4. COMMENT: STEPS TAKEN BY L-NCP GOVERNMENT TO UNDO OR REPAIR "DAMAGE" TO MINERALS AND ENERGY SECTOR RESULTING FROM NEARLY THREE YEARS OF FORMER MINISTER CONNOR WILL BE AMONG MOST CLOSELY WATCHED MOVES DURING EARLY DAYS OF FRASER GOVERNMENT. AS SOME REPORTS POINT OUT, HOWEVER, GOA MAY IN THIS CASE FIND ITSELF LOCKED INTO INTERESTS FOR WHICH IT CANNOT FIND TAKERS AT ITS INITIAL ASKING PRICE IN PRESENT ECONOMIC CLIMATE. IT IS THEREFORE CONCEDING THAT, ALTHOUGH IT WISHES TO ACT PROMPTLY, COMPLETE DISINVESTMENT MAY TAKE SEVERAL YEARS. END COMMENT.
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